

**Lebanon Services Industry
Task Force:
Organization Strategy Draft
and
Phased Implementation Plan**

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LEBANON SERVICES INDUSTRY TASK FORCE – LEBSERVE

Organizational Strategy and Phased Roll-Out Plan

This document presents an organizational strategy for LebServe, the Lebanon Services Industry Task Force, as well as a phased roll-out (implementation) plan. LebServe is proposed as a new, non-profit Lebanese organization designed to improve the competitiveness and regional business activities of the premier service industries of Lebanon.

The Origins of LebServe

The idea for LebServe came directly from Lebanese private sector and government leaders. The concept emerged as one of the key outputs of an extensive program of research, interviews, and intensive workshops identifying Lebanon's needs and opportunities and crafting initiatives to expand the nation's productive economic activities.¹

The objective of this initiative is to provide effective leadership for the overall "cluster" of financial and business services industries. These initially include banking, insurance, accounting, legal and management consulting services, and will eventually be expanded to encompass publishing, advertising, media and other business services activities. Industry cluster development strategy has become one of the most powerful tools used to stimulate economic growth in modern societies.

The concept for LebServe has garnered an enthusiastic response from Lebanese stakeholders. The major challenge is thus to design and implement a strategy to bring the organization into reality. This is no small task, in view of the enormous array of existing commitments of time and energy of Lebanese leaders, as well as financial commitments of Lebanese organizations, in an era of fundamental structural adjustment in Lebanon. LebServe must thus emerge with a high "benefit/cost ratio" for all stakeholders.

The Implementation Process

The first step undertaken to bring LebServe to fruition was the preparation of a "Prospectus," which laid out the premise for LebServe as well as proposed activities and alternative organizational options. The Prospectus was drawn directly from the comments and ideas of Lebanese stakeholders. This document represents an expanded version of that Prospectus.

The second step was to gather a small group of very senior Lebanese leaders to review and refine the concept. The leaders to carry out this assignment were selected on the basis of

¹ The results of this process are presented in *Industry Growth Partnerships: Achieving Lebanon's True Economic Potential (Regional Business Services Cluster)*, SRI International and Lebanese American University, January 1999.

their stature, both individually and through the organizations they represent, their commitment to the further development and growth of the financial/business services cluster, and their support of the LebServe concept. These “Founding Members” met at Lebanese American University on October 28, 1999, to provide their insights and to set forth a next set of actions. A summary of the proceedings of this meeting is presented in Appendix A.

Strategy Document Summary

This strategy document has been prepared under the instructions of the LebServe Founding Members, who called for a fully articulated and phased plan for LebServe. The document will be submitted to the Founding Members for their review, comment, and adaptation. Once changes are incorporated, the document will be used to disseminate information on LebServe to relevant stakeholders, serve as a “blueprint” for the organization and its activities, and provide step-by-step tasking for the establishment and start-up of LebServe. The document is organized as follows:

- ❑ Section A will present the rationale for LebServe, including its mission and reasons on how the organization will serve the interests of Lebanon’s financial and business services industry.
- ❑ Section B will lay out the proposed programs and activities of LebServe, and will note the benefits they provide to members.
- ❑ Section C will articulate the strategy for implementing LebServe through a phased plan. This will include “roll-out” steps, tasks, and timing for each phase.
- ❑ Section D will put forward the proposed organizational structure of LebServe, including both the ultimate structure and its phase-in over time.
- ❑ Section E will offer budget estimates, again phased, as well as options for obtaining funding.
- ❑ Appendix A summarizes the conclusions of the first Founding Members meeting.
- ❑ Appendix B describes the structure and activities of British Invisibles, a comparable organization serving British service industries.
- ❑ Appendix C presents a proposed set of Bylaws for LebServe.

A. THE RATIONALE FOR LEBSERVE

Restoring Regional Financial/Business Activities

Lebanon once served as the flourishing regional center for business services in the Middle East. The nation's advanced infrastructure and entrepreneurial spirit attracted both Arabs and Westerners to utilize Lebanon's financial, personal and other business services. Lebanon's liberal economic and financial policy regime, coupled with banking secrecy laws instituted in the 1950s, catapulted the country into a safe haven for deposits by both Arabs and others. Its tourism assets and high quality of life reinforced Lebanon's image as the "Switzerland of the Middle East".

This image was shattered by the protracted war. In recent years Lebanon's business services industry – at least in several segments of this industry – has undertaken an aggressive re-building process, but almost all attention has been directed to local market issues. Major gains have been made in reconstructing the industry's infrastructure, installing modern management systems and technologies, and recruiting and training professional staff.

With limited exceptions, however, little has been done to reintroduce regional business activities. Stakeholders are unanimous in holding the view that limiting their activities to the small domestic market is not sustainable, and thus the only viable strategy is to seek opportunities in regional markets.

LebServe's Mission

The purpose of LebServe will be to assist industry stakeholders to re-establish Lebanon as a preeminent regional center providing a range of financial and other business services to clients living, operating, or doing business in the Middle East. The regional and global economies, as well as the industries providing business services to economic actors, have changed considerably over the past two decades. Strong actions and close collaboration among industry stakeholders are needed to regain Lebanon's leadership role in this rapidly growing field. The mission of LebServe will be the following:

LebServe will act as a catalyst to meet the needs of Lebanon's business services industry cluster, improving the competitiveness of the cluster, and identifying and developing opportunities for regional business expansion.

LebServe is based on the conceptual framework that has guided the development and expansion of the most successful economic clusters, ranging from information technology in Silicon Valley and leather products in northern Italy to banking and finance in Switzerland. Industry clusters are groups of companies in related fields that rely on an active set of relationships among themselves for both individual and collective efficiency and competitiveness. These include buyer/supplier relations, common customers and resources,

and transfers of technologies and personnel. Industry clusters emerge, expand, reach “critical mass” to drive regional economies, and ultimately can either grow or decline over time.

The industry cluster framework provides a set of tools to help define effective development strategies. In recent years, truly dynamic industry clusters have been those in which stakeholders have collaborated to enhance the industry’s economic foundations (infrastructure, human resources, capital, technology, etc.), improve the policy environment, and engage in cooperative intelligence gathering and promotion and marketing. This will be the central role of LebServe.

Serving the Business Services Cluster in Lebanon

A major reason for establishing LebServe is that no similar group now exists to serve the common, cluster-wide interests of Lebanon’s business service industries, and help oversee efforts to rebuild Lebanon as a regional business services hub.

- Narrower industry interests are currently pursued by various business associations for specific industries, such as commercial banking, insurance and accounting. However, these associations do not have the mandate to address issues beyond those directly affecting their respective industries.
- Wider private sector interests are represented by overall business chambers or employers associations, which tend to focus on broader issues than those related directly to the business services cluster.
- Government ministries and agencies, such as the Banque du Liban, must focus on regulatory and supervisory activities with wider concerns than those of the private sector or specifically of the business services cluster.

All three of these entities – industry associations, business chambers, and government agencies – play important roles in shaping the business environment and enhancing economic infrastructure. However, meeting the needs and opportunities of the business services industry cluster requires a “catalyst” to serve the entire cluster in an aggressive, “proactive” manner. LebServe will provide business services industries with an overall coordinating body that can effectively represent and pursue their common interests, with the explicit goal of reasserting Lebanon as a regional business services center.

Lebanon is a unique nation, and LebServe will be uniquely Lebanese. LebServe represents a creative, entrepreneurial initiative consistent with the “Lebanese approach” to address the problems and opportunities facing the country’s business services industry cluster. It will focus on value creation, and will follow the lesson that to achieve successful, growth-oriented industry clusters, stakeholders need to “cooperate to compete.” In other words, individual firms will continue to compete in their own markets, but they will also collaborate with others to improve the competitiveness and growth trajectory of the entire industry cluster.

B. PROGRAMS AND ACTIVITIES

The range of activities to be carried out by LebServe will be determined by the members of the Task Force and will clearly vary depending on the level of resources available. However, it is envisioned that some combination of the following activities, led by member committees, will be undertaken by LebServe.

Overall, LebServe's programs will be organized to lead toward two strategic objectives:

1. **Enhancing the operating environment for regional business services.** Activities in this category will concentrate on two areas: (a) **improving the cluster's economic infrastructure** (e.g., technology, human resources, information, etc.) and (b) designing and encouraging the implementation of **positive reforms in policies** affecting the cluster.
2. **Developing new business opportunities.** Efforts in this area will concentrate on two sets of tasks: (a) positioning, promoting and marketing Lebanon's financial and business service industry cluster, and (b) generating and disseminating information on specific business venture leads.

These objectives will be sought through a series of LebServe program areas, as described below. A set of examples of specific assignments is indicated under each category.

- **Industry Cluster Development Program Oversight.** A number of initiatives have been identified by industry stakeholders to expand the competitiveness and regional scope of Lebanon's financial and business services industries.² A key role of LebServe will be to coordinate and/or provide inputs into the implementation of these efforts.
 - ◆ **Prepare overall "vision" and long-term mission of the financial and business services cluster.**
 - ◆ **Identify key economic infrastructure gaps, and craft initiatives to meet these needs.**
 - ◆ **Develop and implement strategies to engage stakeholders in efforts to improve economic infrastructure (e.g., human resources, technology, telecommunications, etc.).**
 - ◆ **Serve as a board of advisors over Cluster initiatives (e.g., Middle Eastern Training Institute, Lebanese International Business Network, etc.).**
- **Policy Development and Advocacy.** This set of activities will include two components: (1) working to modernize and implement fully a growth-oriented set of laws, regulations and policies affecting the financial and business services industries

² The overall stakeholder strategy and initiatives for cluster development are presented in *Industry Growth Partnerships: Achieving Lebanon's True Economic Potential – Regional Business Services Cluster*, January 1999.

in Lebanon, and (2) advocacy to open markets for Lebanese firms in regional markets.

- ◆ **Craft agenda to enhance Lebanon’s policy climate for business services.**
 - ◆ **Identify barriers to entry into regional markets for business services.**
 - ◆ **Establish a policy dialogue committee to provide input and feedback into new draft laws and policy reforms related to financial/business services.**
 - ◆ **Travel with Lebanese negotiators to participate in overseas missions to improve access to regional markets.**
- **Research and Information Dissemination.** Successful cluster development strategies depend heavily on small but effective programs to collect, analyze and disseminate data and other relevant information on domestic industry conditions, cluster growth rates and contributions, and market conditions in target areas in the region. LebServe will design and prepare an appropriate set of newsletters, research reports, statistical sets, etc., collaborating with the research departments of relevant government agencies and business associations.
- ◆ **Develop a series of research reports/working papers:**
 1. **Status and needs of Lebanon’s Insurance Industry**
 2. **Expanding Lebanon’s Regional Banking Activities**
 3. **Expanding Lebanon’s Regional Business Services Activities (Accounting, Management Consulting, Legal, etc.)**
 - ◆ **Prepare and disseminate monthly newsletters.**
 - ◆ **Craft bi-annual statistical reports on the contributions of the financial and business services cluster to Lebanon’s economy (e.g., foreign exchange earnings, employment, income, tax revenues, etc.)**
- **Regional Business Opportunity Development.** LebServe will serve its members by identifying, developing and promoting specific regional business opportunities for Lebanon’s financial and business services industries. This activity could include business missions and seminars, matchmaking services linking Lebanese firms with regional partners (especially in markets with limited access), special events, and dissemination of information on regional business leads. These activities would be provided exclusively to LebServe Members.
- ◆ **Collaborate with promotion organizations to undertake a “Lebanon’s Back in Business” marketing campaign.**
 - ◆ **Conduct market assessments of opportunities in regional markets.**
 - ◆ **Prepare and disseminate cluster marketing brochures.**
 - ◆ **Administer workshops/seminars on “doing business” in regional markets.**
 - ◆ **Plan and carry out special events to promote Lebanon’s regional business services.**
 - ◆ **Maintain and utilize a database of specific business opportunities.**

Benefits to Members

The fundamental purpose of LebServe will be to forward the interests of Lebanese private sector firms in the financial and business service fields. As such, both the basic role and viability of LebServe will depend directly on the organization's ability to fulfil its purpose. Members of LebServe will receive a range of important membership advantages.

- **An aggressive cluster development strategy.** LebServe itself will guide the preparation and implementation of the strategy to re-establish Lebanon's regional business service role. It will thus become an important actor directing the nation's economic future.
- **An enhanced operating environment.** LebServe will be an active player in the formulation of Lebanon's rapidly evolving policy climate in the financial and business services area. In addition, LebServe will participate directly in efforts to improve market access in regional areas.
- **Market intelligence, contacts and influence.** The financial and business services industries are changing rapidly due to the introduction of new technologies, deregulation, mergers and strategic alliances, and other market drivers. LebServe members will have access to cutting edge information on market trends and strategies, as well as direct contacts with key players in the markets.
- **Education and training.** Members will have direct access to information on new programs targeted to improve the quality of human resources in financial and business services industries.
- **Active promotion of regional opportunities.** In order to grow and flourish, Lebanon's financial and business service firms must expand their markets and bases of operation. LebServe will provide direct support to this effort, offering a private sector-led response to take advantage of new opportunities in the emerging Middle Eastern region, and restoring Lebanon's leadership as a regional business hub.

C. LEBSERVE IMPLEMENTATION PLAN AND TASKING

Establishing a new organization of any kind is a complex, challenging task. Many obstacles must be overcome, and any one of a number of impediments can effectively bring progress to a standstill. Therefore, success depends heavily on the preparation and execution of a carefully planned implementation strategy.

Based on inputs received from Founding Members and other industry stakeholders, the proposed approach will be to undertake a “phased” implementation plan, which builds momentum and organizational capabilities on a staged basis. Five consecutive start-up phases are suggested. Specific tasking for each phase is presented in the chart on the following page.

- ◆ **Phase 1: Institutional Formation and Configuration.** During this period, the conceptual design for LebServe will be reviewed and refined, the implementation plan will be approved and inaugurated, and additional members will be recruited. This phase is envisioned to last approximately three months.
- ◆ **Phase 2: Provisional Activity.** During this phase, which in reality will overlap with Phase 1, LebServe activities will commence, leveraging seconded staff resources from the existing institutional resources (e.g., current associations, individual firms, government agencies). Essentially, LebServe members and their seconded staff will operate on an ad hoc, “project” basis to conduct research, prepare reports, conduct advocacy activities, and so forth. The projects will be determined by the founding members and/or the board or committees that are designated during Phase 1. This phase is expected to last about three months.
- ◆ **Phase 3: Partner-Hosted Program.** At this time, a formal LebServe “program” will be established. One or more key staff will be recruited to manage and operate the program. It is envisioned that these staff will be physically located at the facilities of an existing business association (or member firm), which will contribute the facilities on an “in kind” basis in its role as partner host of LebServe. This phase will last six months.
- ◆ **Phase 4: Independent Start-Up.** LebServe will commence to operate as an independent organization during this phase. The staff will be moved into their own quarters, office equipment and furniture will be purchased, and LebServe will transform from a program to an independent institution, and the established corporate governance system will come into full effect. This phase is anticipated to last six months.
- ◆ **Phase 5: Full Operations.** This phase will constitute the culmination of the initial institution building initiative. At this time, the full complement of original core staff will have been recruited, the complete agenda of activities will be under way.

PROPOSED LEBSERVE IMPLEMENTATION PLAN

ACTION	YEAR 1				YEAR 2			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Phase 1: Institutional Formation and Configuration								
A. Conceptual Design Review/Refinement/Tasking								
B. Approval of LebServe Strategy								
C. Recruitment of Expanded Membership								
D. Initiation of Technical Activities								
Phase 2: Provisional Activity								
A. Completion of Institutional Formation Tasks								
B. Preparation of Functional Program Agenda								
C. Assignment of Tasks to Seconded Staff								
Phase 3: Partner-Hosted Program								
A. Identification of Host Organization								
B. Recruitment of core LebServe Staff								
C. Installation of LebServe Program in Host								
D. Commencement of LebServe Program								
Phase 4: Independent Start-Up								
A. Location of Permanent Facilities								
B. Procurement of Equipment/Services								
C. Recruitment of Additional Staff								
D. Commencement of Independent Operation								
Phase 5: Full Operation								
A. Completion of Staff Recruitment								
B. Achievement of Full Operational Status								

D. PROPOSED ORGANIZATIONAL STRUCTURE

The proposed institutional strategy calls for LebServe to operate under a lean, efficient organizational structure. It will complement rather than duplicate the activities of existing business associations in Lebanon. In fact, LebServe will draw heavily upon the expertise and viewpoints of other business groups, acting to catalyze and expand upon initiatives to enhance the competitiveness and growth prospects of the entire cluster of financial and business services industries. LebServe will operate beyond the boundaries of traditional industry purviews, acknowledging and acting upon the emerging reality that these boundaries are disappearing in modern markets.

The organizational structure of LebServe will evolve and grow in accordance with the planned implementation phases described above. The evolving structure can be summarized as follows:

Phases 1 and 2: Coordinating Body Utilizing Seconded Staff. During these phases, LebServe will not have a paid staff. It will operate as an ongoing “working group” of LebServe’s expanding members and relevant business associations (e.g., Association of Banks in Lebanon, Association of Insurance Companies in Lebanon, Lebanese Association of CPAs, Lebanese Chamber of Commerce, Lebanese Bar Association, etc.).

This LebServe members will meet to refine the organizational concept, and work to identify and recruit new members. In addition, this group will craft an initial set of activities. Tasks would be assigned to working group members, who in turn would use their own staff (of existing firms and associations) to implement the tasks. Throughout this period, assuming continuation of AID funding for the initiative, SRI International staff will be available to provide technical assistance on organizational formation and other activities, teaming with seconded staff. These phases will require minimal financial resources. No organizational costs would be incurred, and funds or “in-kind” contributions would be raised on an *ad hoc*, project basis.

Phase 3: Program Operations. Throughout this phase, LebServe will be located physically at an existing organization, operating as a program. Therefore, LebServe will not incur “infrastructure” costs (rent, equipment, etc.). The ultimate organizational structure will have been determined by this time, but will not yet be fully implemented. However, separate funding will be available to finance the salaries of key start-up personnel and a certain threshold of operations.

Phases 4 and 5: Small Secretariat. At this stage, the organizational structure of LebServe will take shape. LebServe will function through a new, albeit small, organization with a staff which could serve on a full-time or part-time basis. LebServe will consist of the following organizational elements:

- **LebServe** will be established as a not-for-profit membership organization. A proposed set of institutional by-laws is presented in Appendix C. These by-laws would have to be adapted to conform to Lebanese law.
- The **Lebanese Service Industry Task Force** will consist of all members. Members will pay annual dues set by the LebServe Board of Directors. Task Force members will meet annually or bi-annually to review activities, comment on future work plans, and elect members of the Board.
- The **Executive Board of Directors** will include 8-10 individuals drawn from and elected by the Task Force membership. The Board will meet quarterly to set policy, review operational plans and budgets, and make decisions regarding staffing. Members will serve terms of two years. The Board will elect a Chairman who will serve a term of two years.
- The LebServe **Secretariat** will be responsible for executing the activities set forth by the Task Force and Board. The Secretariat will prepare annual work plans for review and approval by the Board and Task Force, conduct membership attraction efforts, manage budgets, and generally serve the various committees of LebServe. The Secretariat will consist of the following staff members:
 1. **Chief Executive**, responsible for overall Secretariat management, Executive Council and Task Force liaison, cluster development strategy, and LebServe policy position development.
 2. **Director of Research and Information**, responsible for conducting and disseminating research, statistics and cluster development information.
 3. **Director of Business Opportunity Development**, responsible for preparing and administering promotional campaigns, organizing meetings, identifying new opportunities for financial/business services ventures in regional markets, and disseminating opportunity information to Task Force members.
 4. **Administrative Assistant**, providing administrative support to the Chief Executive and responsible for office management activities, including financial management.
 5. **Secretary**, providing administrative support to program activities.

It is proposed that LebServe activities utilize advanced technologies such as an interactive Internet site to disseminate research reports and newsletters, collect data and viewpoints, conduct promotional activities, and inform Task Force members of forthcoming events.

E. BUDGET ESTIMATE AND PHASING

The following table presents initial estimates of financial requirements for each phase of the LebServe implementation plan.

**LebServe Budget Estimates
(U.S.\$)**

Budget Item/Period	Phase 1 Costs	Phase 2 Costs	Phase 3 Costs	Phase 4 Costs	Phase 5 Costs
Total Costs	0	10,000	60,500	139,500	274,000
Staff Costs	0	0	45,500	74,750	188,500
Salaries	0	0	35,000	57,500	145,000
Chief Executive			22,500	22,500	45,000
Dir., Research/Info.			0	15,000	30,000
Dir., Bus. Opp. Dev.			0	0	30,000
Administrative Assistant			12,500	12,500	25,000
Secretary			0	7,500	15,000
Fringe Benefits (30%)	0	0	10,500	17,250	43,500
Start-Up Capital Costs	0	0	0	27,000	0
Computers (5, with software)				15,000	
Fax Machine				1,000	
Photocopy Machine				6,000	
Office Furniture				5,000	
Recurrent Direct Costs	0	0	0	17,750	45,500
Office Rent				10,000	20,000
Telephone Service				5,000	10,000
Electricity				250	500
Materials and Supplies				2,500	5,000
Travel				0	10,000
Program Costs (Contracts, Meetings, etc.)	0	10,000	15,000	20,000	40,000

Budget and Financing Assumptions

The budget estimates presented above are based on the following assumptions:

- ◆ **Phase 1:** This phase lasts about three months (1st quarter, 2000), and requires no additional funding since it consists primarily of institutional formation activities. The SRI team will provide technical assistance during this phase, as well as a declining amount of technical assistance in subsequent phasing, subject to potential USAID support for the initiative.
- ◆ **Phase 2:** This phase lasts three months (2nd quarter, 2000), and represents a series of provisional activities to be undertaken largely by seconded staff of LebServe member institutions. Program costs of \$10,000 are estimated to cover start-up contracts, meetings, and initial publication costs.
- ◆ **Phase 3:** This phase lasts six months (3rd and 4th quarters, 2000). During this period, LebServe activities will be carried out within an existing Lebanese organization, eliminating the need for start-up capital and recurrent cost expenditures. The budget assumes that the Chief Executive and the Administrative Assistant are hired and paid by LebServe for the entire six-month period. Program costs of \$15,000 are also included.
- ◆ **Phase 4:** During this six-month phase (1st and 2nd quarters, 2000), LebServe will be operating independently. Start-up capital costs will be incurred to procure equipment, and recurrent costs for one-half year will be incurred. During this period, all of the LebServe will have been recruited except the Director of Business Opportunity Development.
- ◆ **Phase 5:** This phase covers an entire year of full operations (3rd and 4th quarters, 2000, and 1st and 2nd quarters, 2001). Start-up capital costs will not be required, but full recurrent and program costs will be incurred. The costs estimated for this phase can serve as a benchmark for future annual budget requirements.

The costs incurred in Phases 1 through 3 can be funded through a variety of means, including one-time, start-up contributions by Lebanese firms, associations or foundations. Ultimately, The Secretariat and activities of LebServe will be financed primarily from annual dues collected from members.

Dues levels will be based on a graduated schedule, set by the Executive Council, according to the size of member firm revenues. It is assumed that Lebanese government members (e.g., the Banque du Liban) will pay dues. As a not-for-profit organization, LebServe will also be eligible to seek grants from bilateral and multilateral donor institutions, foundations, and government bodies. A possible fee and funding structure could be as shown on the following table. The number of members will change over time. The table represents a “mature” membership roster.

Potential LebServe Funding Structure
(Annual Sources of Income, \$)

Membership Fees

Core Business Association Fees (3 associations @ \$30,000) ³	\$90,000
Partner Business Association Fees (4 associations @ \$10,000)	40,000
Government Agency Member Fees (3 agencies @ \$4,000)	12,000
Individual Large Firm Member Fees (15 firms @ \$3,000)	45,000
Individual Medium Firm Member Fees (20 firms @ \$2,000)	<u>40,000</u>
Subtotal, Membership Fees	\$227,000

Grants (Foundations, Donor Agencies) **30,000**

Activity Participation/Subscription Fees **18,000**

Total Membership Fees and Operating Income **\$275,000**

The precise number of members in each category will vary from the estimates presented above, and so fee levels required will accordingly vary. In addition, amounts of grants received will vary over time.

³ These represent average fees for the three largest association members. Actual fees may vary depending on participation and ability.

APPENDIX A

LEBANESE SERVICES INDUSTRY TASK FORCE – LEBSERVE

Founding Members' Meeting

October 28, 1999, Lebanese American University

Summary of Proceedings, Findings and Conclusions

Participants*: **Dr. Nasser Saidi, Minister of Economy, Industry and Trade**
Mr. Roger Nasnas, President, Rassemblement de Dirigeants et Chefs
d'Entreprises Libanais, RDCL
Mr. Antoine Wakim, President, Director General, Societe
Nationale d'Assurances Sal, SNA
Dr. Makram Sadr, Director, Association of Banks in Lebanon, ABL
Mr. Elie Ashkar, Economist, Association of Banks in Lebanon, ABL
Mr. Georges Nicolas, Director, Center for Sponsored Research and
Development, Lebanese American University, LAU
Mr. J. Mathieson, Director Economics Practice, SRI International
Mr. L. Wellons, Consultant, SRI International

The purpose of this memorandum is to provide a brief summary of the discussion and conclusions drawn at the “founding members” meeting to explore the creation of a Lebanese Services Industry Task Force, tentatively named “LebServe.” The meeting was held on October 28, 1999 on the Beirut campus of Lebanese American University.

The meeting commenced with a brief introduction and background discussion on the initiative for the Lebanese Services Industry Task Force. This included an assessment of the need to accelerate productive investment in Lebanon, the process that brought the group together, the importance of industry clusters in improving international competitiveness, and the rationale for LebServe (as described in a “Prospectus” provided in advance to each participant).

The proposed plan for deliberations during the meeting was agreed to include consideration of key issues concerning LebServe, a brief discussion on each point, and agreement on a consensus view of conclusions and next steps, as summarized below.

*** Other participants invited: Mr. Nabil Sawabini, CEO, MiddleEast Capital Group**
Mr. Freddie Baz, Advisor to Chairman, Banque Audi

1. Is there a sufficient and compelling case for LebServe?

Discussion: Private enterprises generally in Lebanon need a group which can help set an overall goal or vision, and can encourage existing business organizations to work together more effectively. Currently, associations meet frequently, but often lack the ability to follow through effectively on needed initiatives, particularly in achieving regulatory policy reforms. A LebServe task force could be very useful.

A strong need exists for a task force such as LebServe, particularly from the perspective of the insurance industry, which generally is not in as strong a position as Lebanon's banking and finance industries. Key needs of the insurance industry include conducting a diagnostic study of priority problems, developing an accurate and up-to-date statistical database, carrying out professional market analyses, and reforming obsolete laws and regulations. The first priority is to define our domestic needs and strategies, then consider broader regional issues.

The concept of industry cluster development underlying LebServe is a good strategy, for which many successful examples exist, such as Ireland. But in Lebanon, first we need to improve our internal, domestic economic base and competitiveness, set industry goals, and then move on to consider broader, international issues.

Consensus: A LebServe Task Force can be of considerable value to the financial and business services industries by helping at the cluster level to set an overall vision and goals, and to implement key initiatives. However, priorities must be set on a reasonable, achievable basis, and progressively broader goals and activities should be phased in over time.

2. What should be the fundamental “mission” of LebServe?

Discussion: The mission should be to help define a clear vision for our industry cluster. For example, the insurance industry specifically needs help to develop adequate resources to compete, including highly professional and technically competent human resources. The mission should be to help industry and government set clear goals and policies for the future, in the form of a clear vision for our industry and economy.

Instead of new macro diagnostic studies, we need help to implement and follow through on many key initiatives, strategies and industry diagnoses which have already been conducted, and regulatory reforms which have already been proposed or even adopted as law.

Consensus: LebServe will act as a catalyst to set a clear vision and meet the needs of Lebanon's business services industry cluster, improving the competitiveness of the cluster domestically, and identifying and developing opportunities for regional business expansion.

3. What should be the scope of LebServe, in terms of industry coverage?

Discussion: It may be most appropriate to start with the major cluster of financial and business services, including banking (commercial/investment banking), finance (including the stock exchange) and insurance, as well as accounting and management consulting which could individually or collectively provide strong future export products regionally. Other wider business services such as advertising/media could be phased in later.

If the initial scope of LebServe is too broad, it will diffuse energies and force large funding needs on LebServe. Therefore, it is better to start smaller, and phase in activities.

Consensus: Industries covered should initially include:

- **Banking (commercial, merchant, investment, private)**
- **Insurance**
- **Accounting**
- **Law**
- **Management Consulting**

Over time, and as quickly as possible, other industries in the cluster (e.g., advertising media, data processing, information technologies, etc.) will be added to the cluster and LebServe.

4. What programs and activities should be carried out?

Discussion: There was general agreement that the following activities should be considered, and that an initial schedule or flow chart of activities, responsibilities and milestones be drawn up:

Consensus: Priority activities:

- **Industry cluster development oversight (setting goals, vision)**
- **Policy development and advocacy**
- **Research and information dissemination**
- **SWOT/Diagnostic studies of key sectors (e.g., insurance)**
- **Regional business opportunity development**
- **Maintenance of the Lebanese International Business Network**
- **Coordination of education/training activities**

5. How ambitious should LebServe be in terms of organizational scale?

Discussion: An appropriate approach would be to phase in LebServe, in steps but on an urgent, time sensitive basis. Initially we should start with a small coordinating body, such as this group, with the assistance of SRI and LAU. The membership of this initial group should be expanded to include the accounting, legal and management consulting sectors. The group could help identify specific needs for various sub-sectors, over a two or three month period.

Each industry group should be asked to identify funding support from private sector members. Then we could move toward a secretariat with a small staff and offices.

All expressed general agreement with this approach. In the initial period, specific consideration should be given to identifying insurance industry needs, through a SWOT analysis, as a task in itself.

Consensus: Organizationally, LebServe will be gradually phased in, beginning with the founding members acting as a coordinating body over the next few months. It will be assisted by SRI and LAU, to identify industry needs, particularly for the insurance sector, as well as responsibilities and capabilities of members regarding initial funding contributions. Thereafter, organizational structure, staffing and location issues for a small secretariat will be considered.

6. How should relationships with existing business associations be structured, and should membership include both private sector and government membership?

Discussion: All made the point that in relating to other business groups, LebServe's role and activities will need to be precisely defined to avoid any misimpression of it as simply an exclusive group of leading firms. Rather, there will be a need to clearly communicate the goal of working for the common good of Lebanon by improving international competitiveness. Therefore, LebServe should seek to be an inclusive group. In addition, LebServe should permit appropriate government representation, such as the Banque du Liban.

Consensus: All expressed agreement that with appropriate goals, activities and promotion, existing business groups are likely to acknowledge the critical need for and unique role of LebServe. It was agreed that membership should include appropriate government membership such as the Banque du Liban, Ministry of Economy and possibly the Ministry of Finance.

7. How should funding be secured?

Discussion: The first issues to consider include the amount of funding that will be required for which activities and over what time period. A budget estimated at about \$400,000 to \$500,000 would be required to fund the first year start-up of a small secretariat. The proposed budget should be refined. The small coordinating body operating over the next few months will rely on technical support from SRI and LAU.

The secretariat budget would cover funding for the gradual phasing in of activities, with a director and small staff located in an already existing office, such as at a member association's premises. Size of membership would also be a factor in deciding on scope of activities, size of budget required, and amount of contributions by members (companies and industry associations). The group would welcome the strong support of entities such as the

Ministry of Economy and the Banque du Liban in encouraging contributions from industry associations and individual corporate members.

Contributions should depend on specific activities undertaken. For example, if immediate diagnostic studies are agreed on as necessary for certain industries, such as insurance, then they should be undertaken. But this would be only one of many tasks. From the perspective of the banking industry, insuring sound macro-economic fundamentals is a first priority. The banking industry's key goals are to stimulate growth, generate employment for young people, encourage education and training, and attract foreign direct investment with the overall goal of sustaining long term growth.

Consensus: To fund the LebServe Task Force along the lines agreed with a gradual phasing in of activities and organizational structure, an estimated annual budget of about \$500,000 is required. Participants expressed general agreement that cost contributions from member industry associations and/or companies must be encouraged and will depend in part on specific activities and initiatives undertaken relating to each industry. Efforts should also be made to raise matching funds from international donor agencies and related organizations.

8. Next steps:

Consensus:

- **The present group of founding members of LebServe should be expanded to include leaders (individuals) in the accounting, legal and management consulting sectors. With the support of SRI and LAU, the group will function as an initial coordinating body to define more precisely the LebServe prospectus and strategy over the next few months.** After this period, a more formal organizational structure, activities and potential membership will be considered.
- **SRI will more fully develop the scope of LebServe activities such as research initiatives, suggest roles and responsibilities in undertaking them, and develop proposals for phasing in activities in both the near term and longer term.** In this period, the feasibility of an initial diagnostic overview study of the insurance industry will be considered in order to develop momentum for LebServe in meeting immediate needs of its member industries and companies.
- **The expanded Prospectus will then be circulated to current members, who will be encouraged to provide substantive comments and advice to the coordinating body and SRI/LAU in individual meetings with each member.**
- **The LebServe coordinating body will then meet again to reach final agreement on outstanding issues, including a more formal organizational structure, phasing, additional activities, promoting membership and related organizational issues required for a formal launching of the Lebanese Services Industry Task Force.**

APPENDIX B

THE BRITISH INVISIBLES (BI) MODEL

While establishing a cluster-wide task force in Lebanon is clearly an innovative concept, it is not completely without precedent. Over the past 30 years, British Invisibles, or BI, has effectively advanced the international activities of the U.K.-based financial and professional and business services industries. BI began as the Committee on Invisible Exports established by the Bank of England in 1968. It was reconstituted in 1986 as an incorporated private sector, not-for-profit membership organization operated by experienced industry personnel.

The organization structure of BI is composed of a Board of Directors, an Executive (secretariat), and Committees and Advisory Panels that direct BI's activities in three main areas.

- **Export Promotion** is carried out by the Export Promotion Forum, which recommends ways to improve the flow of information, and coordinate and prioritize the international promotion of financial services. In addition, a series of regional subcommittees, each chaired by an experienced practitioner, evaluates market information and compares this with views within the U.K. financial services sector. This process provides inputs into the preparation of annual marketing master plans (overseas visits, seminars, other events, etc.), which are implemented by the BI Export Promotion Team.
- **Facilitating the Opening of Overseas Markets** is the role of BI's Liberalization of Trade in Services (LOTIS) Committee. The LOTIS Committee is composed of a cross section of BI members and public sector officials (e.g., Department of Trade and Industry, the Treasury, Foreign Commercial Offices, the Bank of England, and the Financial Services Authority). The Committee is the established voice for U.K. financial services in relation to ongoing negotiations in the World Trade Organization to remove barriers to trade and investment. For example, the LOTIS Committee contributed to the successful conclusion of the WTO Agreement on Financial Services in 1997, and produced a guidebook, "Opening Markets for Financial Services," which explains how the Agreement works and how financial services firms can take advantage of it.
- **Conducting Research and Disseminating Information** forwards BI's goal to increase awareness of the U.K.'s role in international financial markets and the contribution of financial services, particularly overseas earnings, to the U.K. economy. BI works closely with the Bank of England and other government agencies as well as a wide range of membership industry organizations. BI disseminates a number of important reports to members. The centerpiece of research is *The City Business Series*, including reports on insurance, maritime services, fund management and banking, securities dealing, derivatives, and legal services. BI also produces regular reports on *International Financial Markets in the U.K.*, summarizing key developments in each sector, *Key Facts about the City of London*, *Guide to Statistical*

Sources, and The City Table, which measures the net overseas earnings of the financial sector, and other newsletters.

The senior staff of British Invisibles consists of the following:

- Chief Executive
- Deputy Chief Executive and Director of Promotional Planning
- Director of Planning and Government Liaison
- Chairman of the LOTIS Committee
- Director of Trade Policy
- Director of Economics
- Director of Inward Missions
- Senior Consultant

As indicated on the following page, BI's membership list is impressive, and gives an indication of the breadth of participation and level of industry interest.

Membership in British Invisibles

<p>Abbey National plc Allen & Overy Aon Group Limited APCIMS Arthur Andersen & Company Ashurst Morris Crisp Association of British Insurers Association of Unit Trusts and Investment Trusts Bank of England Bank of Scotland Banque Internationale a Luxembourg Barclays Bank plc BAT Industries plc BMS Associates Ltd. British Insurance & Investment Brokers Assn. CGU plc Cameron McKenna Cazenove & Co. Ceskoslovenska Obchodni Banka AS Chamber of Shipping Chartered Institute of Arbitrators J.F. Chown & Co. Ltd. Citigate Dewe Rogerson Clifford Chance Clyde & Co. Confederation of British Industry Corporation of London Credit Lyonnais Rouse Ltd. CSTIM</p>	<p>Deutsche Bank Dresdner Kleinwort Benson Ltd. Ernst & Young Fidelity Investment Management Ltd. Robert Fleming & Co. Financial Times Ltd. Freshfields Futures and Options Assn. Goldman Sachs Int. Ltd. Greek Shipping Cooperation Committee Heath Group, Ltd. HSBC Holding Ltd. Ince & Co. ING Barings Inst. of Chartered Accountants in England and Wales International Underwriting Association of London International Petroleum Jardine Lloyd Thompson J&H Marsh & McLennan Holdings Ltd. KPMG Law Society Lazard Brothers & Co. Ltd. Linklaters & Alliance Lloyds of London Lloyds Register of Shipping Lloyds Bank plc. London First London Int. Fin. Futures & Options Exchange</p>	<p>London Metal Exchange London Stock Exchange Lovell White Durrant Mercury Asset Management Group plc. Merrill Lynch Europe plc. Metdist Trading Ltd. Midland Bank plc. Morgan Stanley Dean Witter National Westminster Bank Nomura Bank International Norddeutsche Landesbank Norton Rose Old Mutual Asset Managers (U.K.) Ltd. PricewaterhouseCoopers Prudential Corporation plc. Reuters Ltd N M Rothschild & Sons Ltd. Royal Bank of Scotland plc. Royal & SunAlliance Insurance Group plc. Solomon Smith Barney Saudi International Bank Schroders plc. Scottish Financial Enterprise Securities Institute Sedgwick Group plc. Simmons & Simmons Sinclair Roche & Temperley Singer & Friedlander Ltd. Standard Chartered Bank plc. Terra Nova Insurance Co. Ltd. Warburg Dillon Read Willis Corroon Group plc.</p>
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APPENDIX C

LEBANESE SERVICE INDUSTRY TASK FORCE -LEBSERVE Draft Bylaws

BYLAWS OF the Lebanese Service Industry Task Force

ARTICLE I – NAME AND PURPOSE

Section 1: Name. The name of the organization shall be “Lebanese Service Industry Task Force,” hereafter cited in these Bylaws as LebServe. The organization may at its pleasure by a vote of the membership body change its name.

Section 2: Purpose. The purpose of LebServe shall be to act as a catalyst to meet the needs of Lebanon’s business services industry cluster, improving the competitiveness of the cluster, and identifying and developing opportunities for regional business expansion.

ARTICLE II – MEMBERSHIP

Section 1: Membership. Membership of the organization shall be open to individuals representing themselves or other organizations (private corporations, business associations, non-profit organizations, or government agencies) engaged or interested in the competitiveness and growth of Lebanese business and financial services industries.

Section 2: Dues. Membership dues shall be set by the LebServe Board of Directors.

Section 3: Voting Rights. Each member in good standing shall be entitled to one vote on each matter submitted to the vote of the members.

Section 4: Termination of Membership. The Board of Directors, by affirmative vote of two thirds of all members of the Board, may suspend or expel a member for cause after an appropriate hearing, and by a majority vote of those present and voting at any regularly constituted meeting, may terminate the membership of any member who becomes ineligible for membership, or suspend or expel any member who shall be in default in the payment of dues for the period. The process shall be carried out in good faith. At least 15 days prior written notice shall be given to the member to be expelled, suspended or terminated. Said notice shall state the reasons for the action, and shall give the member an opportunity to be heard, orally or in writing, not less than five days before the effective date of the proposed expulsion, suspension or termination, so as to allow the Board of Directors sufficient time to decide whether the action shall take place.

Section 5: Resignation. Any member may resign by filing a written resignation with the Secretary, but such resignation shall not relieve the member so resigning of the obligation to pay any dues, assessments, or other charges accrued and unpaid.

Section 6: Reinstatement. On written request signed by a former member and filed with the Secretary, the Board of Directors, by affirmative vote of the majority of the Board, may reinstate a member to membership on such terms as the Board of Directors may deem appropriate.

ARTICLE III – ANNUAL MEETING AND SPECIAL MEETINGS

Section 1: Annual Meeting. The date of the regular annual meeting shall be set by the Board of Directors who shall also set the time and place.

Section 2: Special Meetings. Special meetings may be called by the Chair or the Executive Committee.

Section 3: Notice. Notice of each meeting shall be given to each voting member, by mail, not less than ten days before the meeting.

Section 4: Quorum. At least one third of the total number of members, represented in person or by proxy, shall constitute a quorum at a meeting of members. If less than one third of the members is represented at a meeting, a majority of the members so represented may adjourn the meeting without further notice, or determine whether to continue with the proceedings.

Section 5: Voting. Any action that is proper for a special meeting may be conducted by written ballot in lieu of a meeting.

Section 6: Rules. Meetings of members shall be governed by Robert's Rules of Order, Newly Revised (1990).

ARTICLE IV – BOARD OF DIRECTORS

Section 1: Board Role, Size, Compensation. The Board is responsible for overall policy and direction of LebServe, and delegates responsibility for day-to-day operation of LebServe to the LebServe Chief Executive and committees. The Board shall have up to (XX) and not fewer than (XX) members. The Board receives no compensation other than reasonable expenses.

Section 2: Meetings. The Board shall meet at least quarterly (four times per year), at an agreed upon time and place.

Section 3: Board Elections. Election of new directors or election of current directors to a second term shall occur as the first item of business at the annual meeting of LebServe. Directors shall be elected by a majority vote of the current members.

Section 4: Terms. All Board members shall serve two-year terms, but are eligible for re-election.

Section 5: Quorum. Board meetings must be attended by at least 50 percent of the Board members before business can be transacted or motions made or passed.

Section 6: Notice. An official Board meeting requires that each Board member have written notice two weeks in advance.

Section 7: Officers and Duties. There shall be four officers of the Board, consisting of the Chair, vice chair, Secretary and Treasurer. Their duties are as follows:

- The Chair shall convene regularly scheduled Board meetings, shall preside or arrange for other members of the executive committee to preside at each meeting.
- The Vice Chair shall serve in the stead of the Chair at the written request of the Chair, and shall govern committees on special subjects as designated by the Board.
- The Secretary shall be responsible for keeping records of Board actions, including overseeing the taking of minutes at all Board meetings, sending out meeting announcements, distributing copies of minutes and the agenda to each Board member, and assuring that organizational records are maintained.
- The Treasurer shall make a report at each Board meeting. The Treasurer shall chair the financial committee, assist in the preparation of the budget, and make the financial information available to Board members and the public.

Section 8: Vacancies. When a vacancy on the Board exists, nominations for new members may be received from present Board members by the Secretary two weeks in advance of a Board meeting. These nominations shall be sent out to Board members with the regular Board meeting announcement, to be voted upon at the next Board meeting. These vacancies shall be filled onto to the end of the particular Board member's term.

Section 9: Resignation, Termination and Absences. Resignation from the Board must be made in writing and received by the Secretary. A Board member shall be dropped for excess absences from the Board if he/she has three unexcused absences from Board meetings in a year. A Board member may be removed for other reasons by a three-fourths vote of the remaining directors.

Section 10: Special Meetings. Special meetings of the Board shall be called upon the request of the Chair or one third of the Board. Notices of special meetings shall be sent out by the Secretary to each Board member postmarked no less than two weeks in advance.

Section 11: Staffing and Salaries. The Board of Directors shall hire the Chief Executive of LebServe, and upon the recommendation of the Chief Executive shall approve the hiring of additional staff members. The Board shall fix the compensation of any and all employees which they in their discretion may determine to be necessary for the conduct of the business of the organization.

ARTICLE V – COMMITTEES

Section 1: Executive Committee. The four officers of the Board shall serve as the members of the Executive Committee. Except for the power to amend the Bylaws, the Executive Committee shall have all the powers and authority of the Board of Directors in the intervals between meetings of the Board of Directors, subject to the direction and control of the Board of Directors.

Section 2: Finance Committee. The Treasurer shall serve as Chair of the Finance Committee, which shall include three other Board members. The Finance Committee shall be responsible for developing and reviewing fiscal procedures, a fundraising plan, and annual budget with staff and other Board members. The Board shall approve the budget, and all expenditures must be within the budget. Any major change in the budget must be approved by the Board or the Executive Committee. The fiscal year shall be the calendar year, unless otherwise specified by the Board. Annual reports are required to be submitted to the Board showing income, expenditures and pending income. The financial records of the organization shall be made available to the membership, Board members and the public.

Section 3: Other Committees. The Board may create committees as needed. The Board Chair shall appoint all committee chairs.

ARTICLE VI – AMENDMENTS

Section 1: Amendments. These Bylaws may be amended when necessary by a two-thirds majority of the Board of Directors. Proposed amendments must be submitted to the Secretary to be sent out with regular Board announcements.

These Bylaws were approved at a meeting of the Board of Directors of LebServe on _____, 2000.